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68TH CONGRESS }
2d Session }

SENATE

{ REPORT
No. 1070

TO PROVIDE A COMPLETE CODE OF INSURANCE LAW FOR THE DISTRICT OF COLUMBIA

FEBRUARY 3 (calendar day, FEBRUARY 11), 1925.—Ordered to be printed

Mr. CAPPER, from the Committee on the District of Columbia,
submitted the following

REPORT

[To accompany S. 4148]

The Committee on the District of Columbia, to whom was referred the bill (S. 4148) to provide a complete code of insurance law for the District of Columbia (excepting marine insurance as now provided for by the act of March 4, 1922, and fraternal and benevolent insurance associations or orders as provided for by the act of March 3, 1901) and for other purposes, having considered the same, recommend that the bill do pass with the following amendments:

On page 6, line 22, beginning with the word "He," strike out the remainder of the sentence and in lieu thereof insert the following: "His compensation shall be fixed in accordance with the provisions of the classification act of 1923."

On page 7, strike out lines 5 to 13, inclusive, and in lieu thereof insert the following:

A deputy superintendent, an examiner, a statistician, a license clerk, one clerk, four clerk-stenographers: *Provided*, That the compensation of the above employees shall be fixed in accordance with the provisions of the classification act of 1923.

On page 7 strike out all of lines 14 to 20, inclusive.

On page 10, line 21, strike out the words "upon statement rendered" and in lieu thereof insert the words "and as may hereafter be appropriated by Congress."

On page 13, line 1, change the word "fee" to "fees."

On page 14, line 20, strike out the figure "1" and in lieu thereof insert the figures "1½."

On page 14, line 24, strike out the figure "1" and in lieu thereof insert the figures "1½."

On page 16, line 16, beginning with the word "such," strike out the remainder of the sentence and in lieu thereof insert the following: "the Commissioners of the District of Columbia, upon recommendation of said superintendent, may remit such penalties."

On page 54, line 8, change the word "affair" to "affairs."

On page 75, line 25, change the word "centum" to "cent."

On page 89, line 2, change subdivision "(c)" to subdivision "(e)."

On page 90, line 16, strike out the word "on" and insert in lieu thereof the word "of."

On page 93, line 12, eliminate the word "with."

On page 110, line 15, strike out "Sec. 111. Deposits" and insert in lieu thereof "Sec. 110. Reserves."

On page 126, line 3, correct the spelling of the word "amendment" by eliminating the second "e."

A COMPREHENSIVE INSURANCE CODE

The need for a revision of the insurance laws of the District of Columbia in the interest of the public, as well as the insurance business, has been brought strongly to the attention of the committee. No change in the insurance laws of the District of Columbia has been made since 1911, when a small amendment was passed and prior to that time no change had been made since the creation of the department of insurance in 1902. Even in 1911 the laws on insurance in the District of Columbia should have been changed, but it is more than ever apparent to the committee that in view of the fact that many of the old sections of the present law have been declared inoperative by the courts, and no step looking toward the interest of the public buyers of insurance, the agents who sell insurance, or the companies has been enacted until the passage of the marine bill on March 4, 1922, that the District of Columbia should have a modern insurance law. The present law is entirely out of harmony with the marine law and the need for proper legislation to carry that law into effect was called for and conclusively shown to the committee, by the representatives of the public, the insurance agents, and the companies. By bringing the insurance laws of the District of Columbia up to the proper standard, where they properly belong, the people of the District will be greatly benefited.

The committee feels that the bill offered by the superintendent of insurance of the District of Columbia has been carefully and conscientiously prepared, having in mind the interest of the insuring public, selling of insurance, and the proper supervision and control over the companies doing business under the laws of the District, whether organized here or from neighboring States, and also having in mind the harmonizing of this bill with the marine bill already a law.

It has been shown that the life insurance sections of the present law are entirely deficient. As a matter of fact, there are no laws which provide for the regulation, supervision, and control, while in this bill it has been demonstrated that the provisions covering life insurance are not only standard provisions similar to the best laws in the country on the same subject, but it has been well said

that they are the last word on life insurance provisions in the interest not only of the public but of the companies themselves.

Except as to the marine act of March 4, 1922, the insurance laws of the District are antiquated. The people and property of the District are entirely lacking in the safeguards and protection provided now in practically all of the States of the Union in relation to this subject. The superintendent of insurance is a mere clerk without any real power or authority. Insurance companies operating in the District write such contracts as they choose, and the insuring public have no protection against exorbitant rates, extravagant management, or the many evils which have been the subject of remedial legislation elsewhere.

This bill is the culmination of several years' labor and is a compilation by experts in the various branches, supervised for the protection of the people's interests by such eminent former insurance commissioners as Hotchkiss, of New York; Donaldson, of Pennsylvania; and Hobbs of Massachusetts; and Dr. S. S. Huebner of the University of Pennsylvania, the last named being the foremost expert on insurance law in this country.

The passage of this legislation will give to the District of Columbia an up-to-date law which will be recognized in the United States as standard legislation, avoiding the mistakes made in other States and putting the District in touch with the best practice of the balance of the country.

It will have the effect of increasing the District revenues by reaching premiums that now escape taxation, and will prevent the citizens of the District from being preyed upon. It will permit local companies to expand and do business in other States, which they are now handicapped in doing by the obsolescence of the existing law; it will protect licensed local agents in the practice of their profession instead of having their business pirated by outside interests who are not licensed and pay no taxes. It will give the superintendent of insurance of the District of Columbia power to regulate the practice of the business so as to protect those who insure, instead of being without proper authority as he is at the present time. It legalizes, under proper supervision, the rating bureaus and protects the people from excess and unjust premium charges.

In response to an inquiry from the committee the superintendent of insurance of the District stated that for the calendar year ending December 31, 1924, the revenue from the insurance department from taxes, company licenses, etc., amounted to \$273,324.07.

Basing the revenue for 1925 on the number of companies now licensed and those that are licensed but do not pay taxes, such as mutuals, individual underwriters, and Lloyd's, even though the rate of taxation is reduced to 1 per cent from $1\frac{1}{2}$ per cent, it is safe to estimate that after the increased fees the revenue will amount to in the neighborhood of \$290,000. In this, of course, is included real estate title insurance companies that have escaped license fees and taxation heretofore.

The expenses of the department for 1924 amounted to:

Salaries.....	\$15, 145. 98
Office expenses.....	2, 044. 21
Total operating expense.....	17, 190. 19

It is not expected that under the new law there will be any material increase so that there is an abundant margin between the income and the expense.

The Commissioners of the District are favorable to the bill, as indicated by the following letter:

FEBRUARY 3, 1925.

HON. L. HEISLER BALL,

Chairman Committee on the District of Columbia,

United States Senate.

SIR: The Commissioners of the District of Columbia have the honor to submit the following on Senate bill 4148, Sixty-eighth Congress, second session, entitled "a bill to provide a complete code of insurance law for the District of Columbia (excepting marine insurance as now provided for by the act of March 4, 1922, and fraternal and benevolent insurance associations or orders as provided for by the act of March 3, 1901), and for other purposes," which you referred to them for report as to the merits of the bill and the propriety of its passage.

The object of the bill is to amend the insurance laws of the District of Columbia. Similar bills have been introduced in the House, upon which the commissioners have made favorable report with the recommendation for certain minor administrative changes.

Sections 3 and 4 of this bill provide salaries for the superintendent of insurance and for the personnel of his office. The commissioners believe that the positions referred to in these two sections should be created without fixing specific salaries for them. This is in accordance with a suggestion made on a previous bill by the Director of the Budget, who stated that salary rates for these positions should be left to be determined on a basis of comparison of the duties of the offices or positions with those in other branches of the government of the District of Columbia, as determined by the reclassification act of March 4, 1923.

Section 4 limits the funds for contingent and miscellaneous expenses of the department of insurance. The commissioners believe that such a limitation is unnecessary, as estimates for contingent expenses should be submitted in the annual budget of the commissioners, depending upon the necessities of the case each year.

Section 7, providing for attendance of the superintendent at insurance conventions, should be amended by striking out the words "upon statements rendered" at the end of the section, and inserting in lieu thereof the words "and as may hereafter be appropriated by Congress."

Section 11 of the bill should be amended by striking out from lines 16 and 17, page 16, the words "such penalties shall be remitted," and inserting in lieu thereof the words "the Commissioners of the District of Columbia, upon recommendation of said superintendent, may remit such penalties."

With the changes noted above, the commissioners recommend favorable action on the bill.

Very respectfully,

THE BOARD OF COMMISSIONERS
OF THE DISTRICT OF COLUMBIA,
By CUNO H. RUDOLPH, *President.*

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